The influence of dynamic governance on public service innovation: Analysis of recruitment of officials of public organizations in local government

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Abstract

Dynamic governance is considered an important approach to stimulate innovation in public services as well as the recruitment process of managers in the public sector. This study aims to investigate the impact of dynamic governance on public service innovation by raising the recruitment of public sector managers as a variable that functions as a reinforcer. The method used in this study is a quantitative approach, where data is collected and analyzed through surveys. A total of 340 participants were enrolled using a disproportionately random sampling technique, referring to the Krejcie and Morgan [1] tables, with an error tolerance of 0.05. The findings of this study indicate that dynamic governance consists of two elements that exert a positive and significant influence on public service innovation: dynamic capabilities and institutional culture. In addition, the results also show that the process of hiring managers in public organizations contributes positively and significantly to innovation in public services. Therefore, a dynamic governance approach is considered important to improve performance, resilience, and adaptation in local government. Furthermore, it also has the potential to increase the effectiveness of hiring managers in the public sector and facilitate better innovation in the future.

Keywords: Dynamic capabilities, Dynamic governance, Institutional culture, Public managers, Public service innovation, Recruitment.

1. Introduction

In the face of rapid changes in the public sector, dynamic governance is a key factor in driving service innovation. According to Osborne and Brown [2] innovation in the public service depends not only on policy but also on the capacity of the organization to adapt to the ever-changing environment. One of the important elements in adaptive governance is the right manager recruitment strategy, as competent leadership can create an innovative and responsive work ecosystem to meet the needs of society [3].

However, in practice, many public organizations still face challenges in recruiting managers who have an innovative vision. A selection process that does not consider aspects of adaptive leadership can hinder the transformation of public services. As expressed by Ferlie et al. [4] the effectiveness of public management is highly dependent on the ability of individuals to understand the complexity of governance and encourage sustainable change.

Therefore, this study aims to analyze how dynamic governance affects public service innovation through the mechanism of hiring managers. By understanding this relationship, it is hoped that public organizations can design more effective recruitment strategies to strengthen innovation and improve the quality of services for the community.

Dynamic Governance Theory and Manager Recruitment in Driving Public Service Innovation

In the era of globalization and rapid technological advancement, dynamic governance is a key factor in increasing the effectiveness of public organizations. Dynamic governance emphasizes flexibility, adaptation, and the involvement of various actors in the decision-making process to cope with the ever-changing environment [5]. This approach prioritizes responsive legal mechanisms, stakeholder engagement, and innovative policy strategies to achieve more optimal results in public services [6].

Meanwhile, recruitment in the public sector still faces major challenges, especially related to professionalism and effectiveness in attracting competent human resources. Research shows that meritocracy-based recruitment systems contribute to increased accountability, bureaucratic efficiency, and a decrease in corruption levels in public organizations [7]. In addition, a selection process that considers managerial competence, leadership experience, and innovation ability is an important factor in improving the quality of public organizational governance [8].

Public managers who have a dynamic capacity are able to drive change by adapting organizational strategies to the needs of society and evolving external challenges [9]. This capability is built through data-driven decision-making, strategic planning, and effective cross-sector collaboration [10]. In addition, a strong organizational culture plays an important role in creating a work environment that supports innovation and improves the effectiveness of public services [11].

In the modern public sector, organizations are required to build a human-oriented culture to improve performance and public trust in the services provided [12]. An inclusive and adaptive organizational culture can increase leadership effectiveness, strengthen managerial capacity, and ensure that recruitment is conducted openly and competency-based [13]. In this context, a transparent and meritocratic approach to recruitment is a key element in ensuring that public organizations are managed by individuals who have the capacity to innovate and face increasingly complex challenges [14].

Thus, this study aims to explore the influence of dynamic governance on public service innovation through the recruitment mechanism of managers in public organizations. A deeper understanding of the relationship between governance, recruitment, and innovation is expected to provide strategic recommendations for public organizations in improving the effectiveness and quality of services provided to the community.

2. Materials and Methods

To test the hypothesis proposed, this study applies a quantitative approach by conducting a survey of state civil servants in the Palu City Government, Indonesia. The total number of respondents in this survey is 4,500 individuals, consisting of 2,000 men and 2,500 women. This study uses an exploratory survey design, and sample selection is carried out using a proportional random sampling technique based on the demographic characteristics and education levels of civil servants. The number of samples was determined using the Krejcie and Morgan [1] table with an error rate of 5 percent, resulting in a total of 340 respondents. To minimize sample bias, this study applies several sampling techniques to increase the validity of the conclusions obtained through structural equation modeling (SEM) analysis.[15].

The main variable in this study is the recruitment of public managers in human resource management, which is measured using ten indicators, namely integrity, competence, skills, innovation, transparency in recruitment, merit-based selection, independence from political interests, prudence, meritocratic principles, and competitiveness [16-18]. Meanwhile, public service innovation is studied based on three main aspects, namely changes in the organizational environment, changes in organizational structure, and changes in the services offered. Each aspect is measured using ten indicators developed from previous research [19, 20].

2.1. Hypothesis Measurement

After conducting a questionnaire trial, the data were analyzed using SPSS version 25. Furthermore, the questionnaire was tested to ensure its validity and reliability before being distributed to 350 respondents. Of these, 342 questionnaires were returned, with a response rate of around 97 percent. A total of 8 questionnaires were eliminated because they were not filled out completely. Respondents were asked to assess their perceptions using a 6-point Likert scale, ranging from strongly agree to strongly disagree. Inferential analysis was carried out using SEM to test the research hypothesis [21].

The reliability of 39 items in the research instrument was assessed using SPSS and SEM analysis. Internal reliability was measured using Cronbach's alpha, with a result of 0.912 (F-test = $9.780 > \alpha = 0.05$). After the confirmatory factor analysis (CFA), as many as 12 cases were deleted based on the Mahalanobis distance analysis. This study uses four main variables, namely dynamic ability (measured by five indicators), organizational culture (measured by seven indicators), recruitment of

public managers (measured by eight indicators), and public service innovation (measured by five indicators). The results of the analysis using AMOS software are shown in Table 1.

Table 1.
Statistical results of convergent, discriminatory, and nomological validity.

Criterion	DC	BO	RPM	PSI
AVE	0.412	0.520	0.630	0.470
CR	0.865	0.948	0.680	0.562

*Note: AVE - the average variance extracted; CR - reliability of composites; DC - dynamic capability; BO - organizational culture; RPM - recruitment of public managers; PSI - public service innovation (significant at **p < 0.001, p < 0.05).

Table 1 shows that there are no problems in nomological validity, and the results of the AVE analysis show that all variables meet the minimum recommended thresholds. The dynamic ability variables had an AVE of 0.412, organizational culture 0.520, public manager recruitment 0.630, and public service innovation 0.470. The composite reliability value (CR) for each variable was also in an adequate range, with the highest value in organizational culture (0.948). Thus, this research model is considered feasible for further analysis [22].

The SEM model match results are shown in Table 2.

Table 2.
SEM model fit index.

Measurement	Absolute Fit Size	Incremental Fit Size	Parsimonious Fit Size			
X2	CMIN/DF	GFI	RMSEA	NFI	CFI	AGFI
Criterion	>0.05	<5	≥0.90	<0.05	≥0.90	≥0.95	≥0.90
Retrieved	715.632	2.791	0.965	0.069	0.908	0.960	0.932

Based on the results in Table 2, the model used in this study has a good match rate. The chi-square value ($\chi 2$) is 715.632 with DF = 255, p = 0.000, and CMIN/DF of 2.791. The GFI and RMSEA values are 0.965 and 0.069, respectively, which are within the model fit tolerance limits. In addition, the NFI and CFI values are 0.908 and 0.960, respectively, which meet the minimum threshold. Thus, the SEM model in this study is feasible to use for hypothesis testing [23].

The results of hypothesis testing in this study are presented in Table 3.

Table 3.
Hypothesis test results.

Hypothesis	B	p	Conclusion
H1: RPM <--- Dynamic Capability (DC)	0.455	***	Accepted
H2: RPM <--- Organizational Culture (BO)	0.298	***	Accepted
H3: PSI <--- RPM	0.160	0.014	Accepted
H4: PSI <--- Dynamic Capability (DC)	0.295	***	Accepted
H5: PSI <--- Organizational Culture (BO)	0.370	***	Accepted

Note: β – standard regression weight; p - degree of significance (one-sided); p < 0.001, * p < 0.05.

Based on the results of SEM analysis, all hypotheses in this study are proven to be significant and accepted. Thus, it can be concluded that the dynamic governance theory developed in this study has strong empirical support [19].

3. Results and Discussion

Empirically, there is a close relationship between dynamic capabilities and organizational culture in increasing the competitive advantage of public organizations [24]. The process of hiring managers in public organizations is often a debate among policymakers because public managers are often considered too bureaucratic, inflexible, and unresponsive to changes in the environment [25]. Dynamic capabilities have received significant attention as a mechanism to maintain the effectiveness and competitiveness of organizations, both in the public and private sectors [26].

Dynamic capabilities and knowledge management are believed to help public organizations build sustainable innovation [27] improve operational effectiveness [28], and strengthen the capacity of human resources to face dynamic environmental challenges [29]. In addition, organizational culture is an important factor in strengthening the performance of public organizations by creating value systems that encourage innovation and efficiency [30].

In the context of public organization management, meritocracy-based recruitment is the main factor in improving institutional effectiveness [31]. Dynamic capabilities in organizations also include three main elements, namely coordination or integration as a static concept, learning as a continuous dynamic concept, and recombination or transformation that allows the organization to adapt to changes in the environment [32]. Strengthening transparency, effectiveness, and accountability in the public sector has been increasingly emphasized through a dynamic governance approach [33].

Several studies have shown that dynamic capabilities contribute to improved knowledge management, which ultimately strengthens the competitiveness of public organizations [34] and encourages the emergence of innovation in public services [35]. Recruiting qualified public servants is also a key strategy in a competency-based system to achieve optimal performance

[36]. Furthermore, a merit-based approach in recruitment has been shown to contribute to improving the quality of governance [13].

The following is a SWOT analysis based on the results of the research that has been presented:

SWOT Analysis

1. Strengths

Meritocracy-Based Recruitment: The recruitment process for public managers already refers to the principles of meritocracy that increase transparency, accountability, and competitiveness in human resource management.

Organizational Dynamic Capability: The ability of the organization to adapt to changes in the strategic environment and implement innovations in public services.

Organizational Culture That Supports Innovation: A strong organizational culture contributes to the effectiveness and efficiency of public services.

Good SEM Model Validity: The research model demonstrates strong validity and reliability, supporting the empirical conclusions in this review.

High Questionnaire Response Rate: The questionnaire response rate reached 97%, reflecting respondents' enthusiasm for research and improving data quality.

2. Weaknesses

Limited Transparency in Recruitment: Although merit-based, there are still challenges in ensuring full transparency in the selection process.

Bureaucratic and Inflexible Tendencies: Public managers are often perceived as overly bureaucratic and less responsive to change, hindering innovation in public services.

Reliance on Rigid Regulations: Strict regulations in public administration can limit an organization's flexibility in implementing innovative policies.

Obstacles in Technology Implementation: Despite digitalization efforts, not all aspects of public services can be optimized through technology.

The Influence of Political Interests in Human Resource Management: Independence from political interests is still a challenge in the recruitment process and human resource management.

3. Opportunities (Peluang)

Digital Transformation in the Public Sector: Opportunities to utilize digital technology to improve the efficiency and effectiveness of public services.

Improving Public HR Competence: Digital-based competency training and development, as well as innovation in human resource management, can enhance the quality of public services.

Collaboration with the Private Sector and Academia: Synergy among the government, the private sector, and academic institutions in the development of innovative policies.

Public Administration Reform: A government-driven bureaucratic reform agenda can provide opportunities for improvement in the recruitment system and the management of public human resources.

Increased Public Participation: Public awareness of transparency and accountability of public services is increasing, opening up opportunities to drive improvements in governance.

4. Threats (Ancaman)

Resistance to Change: There is resistance from senior employees or certain stakeholders to innovation and transformation in public organizations.

Competition with the Private Sector: The private sector is often more attractive to qualified workers than the public sector, hindering the recruitment of competent employees.

The Threat of Inflexible Regulation: Inconsistent policy changes can hinder the implementation of innovation in public administration.

Public Trust Crisis: If there is not adequate transparency, public trust in the public sector can decline, hampering the effectiveness of government policies and programs.

Digital Divide in Public Services: Not all civil servants have adequate digital skills, which can hinder the effectiveness of digital transformation in the public sector.

Strategic Conclusions & Recommendations

Strengthening Strategy (SO - Strengths & Opportunities)

Optimizing the use of technology in meritocracy-based recruitment and public services.

Leverage collaboration with the private sector and academia to increase innovation in public human resource management.

Improvement Strategy (WO - Weaknesses & Opportunities)

Increase the transparency and independence of recruitment to reduce the influence of political interests.

Develop training programs to improve the flexibility and responsiveness of public managers in the face of changes in the strategic environment.

Risk Mitigation Strategies (ST - Strengths & Threats)

Develop policies that are more adaptive to regulatory changes to maintain a balance between innovation and compliance with rules.

Strengthening public communication to increase public trust in the effectiveness of public sector management.

Prevention Strategies (WT - Weaknesses & Threats)

Reducing excessive bureaucracy in the public service system with the implementation of a more efficient digital system.

Encouraging the improvement of digital competencies for civil servants to overcome the digital divide in public administration.

4. Conclusion

The results of this study confirm that dynamic governance contributes to increased government effectiveness, enabling public organizations to achieve higher levels of performance. Public organizations within local governments continue to face rapid and unpredictable changes, so dynamic capabilities are needed to adapt to these challenges.

Based on Structural Equation Modeling (SEM) analysis, it was found that dynamic capabilities had the strongest and most significant influence on the recruitment of public managers, with a path coefficient of $\beta = 0.449$ (p = 0.01). The next influential factor is institutional culture, with a path coefficient of $\beta = 0.303$ (p = 0.01). In addition, the recruitment of managers of public organizations also has a positive and significant impact on public service innovation, as shown by the path coefficient $\beta = 0.152$ (p = 0.01). Meanwhile, institutional culture has a stronger influence on public service innovation, with a path coefficient of $\beta = 0.366$ (p = 0.01). Finally, dynamic capabilities also directly have a positive impact on public service innovation, with a path coefficient of $\beta = 0.287$ (p = 0.01).

Furthermore, this study shows a strong correlation between dynamic capabilities and institutional culture, as indicated by the path coefficient $\beta = 0.329$ (p = 0.01). The results of the analysis also revealed that dynamic capabilities are the main predictor in the recruitment of managers of public organizations, with a contribution of 44.9%. Meanwhile, institutional culture predicts 36.6% variance in public service innovation, while the recruitment of public managers is predicted by institutional culture at 30.3%. In addition, dynamic capabilities are able to predict 28.7% of public service innovations, and public service innovations also contribute 15.2% to the recruitment of managers of public organizations.

Overall, the results of this study indicate that dynamic capabilities and institutional culture are closely related to the recruitment of public organization managers and the improvement of public service performance. Meritocracy-based recruitment has proven to be effective in encouraging public service innovation. In addition, both dynamic capabilities and institutional culture have a significant influence on improving the effectiveness of public organizations as a whole. Therefore, in the context of governance, strengthening dynamic capabilities and institutional culture is the main strategy for improving the quality of public services that are more adaptive and innovative.

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